

## Capital Group New Perspective

Global

### Introduction

(Offshore)

Capital Group is one of the world's largest investment managers with a 90-year history. Capital has a large and extensive investment resource, and the New Perspective fund has a five decade track record and is designed to be a core strategy focused on pursuing global growth. It is looking for businesses that stand to gain from changing global trade patterns and multi-generational shifts in the global economy, and to invest in current and future global champions.



[Click here to read the Capital Group approach to ESG investing.](#)

### Why RSMR Rate this Fund

- Capital Group are an established leader in equity investing
- Strong analyst resource allows thorough company due diligence
- Sleeve approach combined with analyst research results in high levels of stock diversification
- Fund has successfully identified strongly growing multi-nationals at an early stage
- Long record of delivering strong results over many cycles and investment regimes
- Consistency of returns make fund ideal core holding in equities.

### Fund Process

Capital has a large and extensive investment resource and a distinctive way of managing money in that for each fund there are multiple portfolio managers. Equity research is covered in multiple locations around the world. Capital dedicates significant resources to ESG and it is up to the individual analyst to conduct their own ESG analysis rather than having a reliance on exclusions or rating agencies. Capital has a team of dedicated ESG specialists focused on research, sustainable investing and issuer engagement. The portfolio management team comprises former analysts who have spent a significant amount of time at Capital and part of the fund is managed by the research team, so all analysts are actually investors. Analysts are given sector /industry/specialist research responsibilities and in many cases cover both the developed and emerging world where sectors are truly globalised. Analysts cover one or two sectors which are often unrelated to allow them to have a wider perspective. Capital look for analysts to build up extensive industry and company knowledge and analysis is a long term career path at the firm for those that choose this. In general, analysts will follow in detail around 30-50 stocks, allowing in-depth knowledge. The role of the portfolio managers is to each independently construct their own global equity portfolio based on their highest conviction investments. Quite often, portfolio managers will invest alongside the analysts in what they believe are the most compelling recommendations having spent a significant amount of time on the research team at the firm prior to making a decision to move into portfolio management.

This fund looks to invest in current and future global champions, finding businesses that can deliver long-term growth, many of which are benefitting from transformational change or secular change in global trade. The fund focuses on multinational companies so is a global strategy with specific criteria and is not just focused on mega caps in the multinational space. The analyst team looks at companies with at least a \$3bn market cap (on a free float basis), so holds a number of early stage multinational businesses which are outgrowing their domestic markets. To be eligible for investment in this strategy, a company must have a minimum free float market capitalisation of \$3bn and derive 25% or more of its revenue or assets outside of its domestic market. Whilst companies held are benefitting from changing global trade patterns or secular change, any themes within the fund have been identified from bottom up company analysis. Businesses held need to grow over the long term but can still operate in cyclical industries, so delivering year-on-year growth is not a requirement for every company held.

Around 20% of the New Perspective fund is managed by the analyst team and this sleeve is called the Research Portfolio, and there are typically eight to eleven independent sleeves managed by global portfolio managers. Analysts conduct extensive reviews on stocks which are then presented to the broader global equity team and stocks can be included in the fund, even if not approved by any of the portfolio managers. If this occurs, the weighting will be relatively small and so the larger holdings are those stocks that are both invested in by the analysts and favoured by a number of the individual portfolio managers.

Capital is looking to provide a diversified portfolio so the choice of portfolio managers for a fund is important, and whilst the portfolio managers work to the same eligibility criteria and investment objectives, they have different and often complementary investment styles. The weighting of the sleeves given to the portfolio managers is long-term and varies according to their experience and Capital do not tactically allocate to the individual fund managers.

### Evaluation

The fund will perform best when company fundamentals are driving stock market performance. The fund could struggle if speculative companies or those with high debt perform strongly.

### Application

The fund's research driven diversified approach to equity investing makes it suitable as a core holding within its sector for any equity portfolio.

## Our Opinion

The strategy has an impressive and long track record, with good results across many cycles and investment regimes. Part of the focus is finding future global champions and part of the results achieved have been through the successful identification of these at a relatively early stage and owning them for the long-term. The fund has invested at a relatively early stage in companies benefitting from secular growth trends driven by the global economy and with the ability and resources to capture these opportunities. Themes within the fund are derived from bottom-up stock picking rather than a strong top-down view, and with over one third of names owned for 8+ years, long-term views are taken on a company's potential. In selecting the fund managers for this or any of their funds, it is vitally important to ensure there is diversity of approach within the fund and Capital ensure not all managers are focused on high growth companies, although all companies need to grow over the long-term, even if there may be cyclicity in the earnings stream.

Culture is clearly very important at the firm, and managers have generally remained at Capital for many years and often their whole career after joining. The sleeve approach taken, with individual fund managers and an analyst driven research portfolio, ensures diversity of stock ideas – with close to 300 individual names in the fund, stock specific risk is relatively low. This highly diversified approach has not impacted negatively on alpha generation, even though the impact of any individual stock is relatively low. Analysts have discretion to use the valuation tools they believe are most suitable for the company and there is no house way of conducting analysis. The success of the fund is largely down to its core, yet flexible, approach built from the bottom-up and taking a truly long-term investment horizon. The well diversified nature of the strategy also means it is deliberately not based on a small number of top-down binary decisions. Whilst portfolio managers are not compelled to follow all analyst decisions, they do take on board the general direction of analyst views.

The fund has developed a strong record against its benchmark index and peer group over both shorter and longer time periods. The approach taken, in terms of combining an analyst driven portfolio with a number of fund managers, is very different to most funds and ensures the fund is highly diversified at the stock level. As this is a global rather than regional mandate, the potential investment universe is large and stock diversification has not hampered alpha generation. The fund has developed a strong record over many years using the strong research resource at the group, and it is suitable as a core holding.



### Important Notice

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

Rayner Spencer Mills Research Limited is a limited company registered in England and Wales under Company. Registration Number 5227656. Registered Office: Number 20, Ryefield Business Park, Belton Road, Silsden, BD20 0EE. RSMR is a registered trademark.